Kluwer International Tax Blog

It is time to set up a new international organization on tax matters?

Raffaele Russo (Amsterdam Centre for Tax Law (ACTL) of the University of Amsterdam; Chiomenti) · Thursday, December 21st, 2023

Does the helm of command over international tax policy shift to the United Nations? This is the scenario that could be envisioned following the Nov. 22 U.N. General Assembly that approved the Resolution submitted by the Group of African States, following up on the Secretary-General Guterres' report of last August. The resolution calls for an intergovernmental body to establish the terms of reference of a framework convention on international tax cooperation. A total of 125 countries voted in favor of the resolution, 48 against and 9 abstained. Succumbing in the vote were the European countries, the United States, Canada, and Japan. The vote could be a turning point in shaping the global governance of international tax policy.

Early work on international taxation was carried out by the League of Nations at the beginning of the last century. This year marks the centenary of the *Report on Double Taxation* by the four economists, who identified the foundations of the current system: primary (albeit limited) allocation of taxing rights to the country of source and residual taxing rights to the country of residence. Following the closure of the League of Nations, the work was then carried on by the OECD, through its Committee on Fiscal Affairs. The Organization, formed after World War II to manage the Marshall Plan, from the 1960s to the present has leveraged on its Model Tax Convention and the Transfer Pricing Guidelines to build the joist of the globalized economy of recent decades. With the 2008 financial crisis and the takeover, by the G20 of systemically important issues, including taxation, there has been a shift in both the content and the governance of the work, with the progressive inclusion of non-OECD member countries in the decision-making process.

Under the auspices of the G20, banking secrecy for tax purposes was abolished, with a commitment by so-called tax havens to exchange information at the request of other countries. With the advent of the Obama administration in the United States and the introduction of FATCA, the groundwork was done for the introduction of the so-called Common Reporting Standard, the mechanism through which bank account information are automatically exchanged. Also at the request of the G20, the OECD then addressed the issue of taxation of multinationals first through the BEPS project and these days through the work on the so-called *Two Pillars*. The first pillar is unlikely to see the light of day anytime soon while the second pillar – the global minimum tax – is being implemented in an increasing number of countries (with uncertainty about what the United States and China will do in that respect).

From a governance perspective, both the work on tax transparency and the work on the taxation of multinationals have an inclusive setting, with the participation of more than 100 countries on an equal footing. Several officials from non-member countries hold key roles in the committees and bureaus where decisions are made, and technical support is provided by the OECD Secretariat, which now includes also nationals from non-member countries. All this does not seem to have been enough, however. On the one hand, the lack of bite of the measures adopted and interpretations perceived to be in favor of the most influential countries are often put forward; on the other hand, it is said that the opportunity to participate alone is not enough if one does not then have the strength or consensus to set the agenda for the work or decision-making processes.

In this context and also thank to the propulsive communication of some NGOs arrived the November 22, which many were quick to call historical. But is it really so? Will it be "true glory" or will reality reveal a Pyrrhic victory? Experience shows that without the participation of the most developed countries, global rules cannot be drawn up. The concrete risk is that of a polarisation of different positions, which by definition blocks all forms of progress. It is not the November 22 vote that is "historical" as much as it is the opportunity before us. As in the days of the League of Nations referred to earlier, perhaps the time has come to create a new international organisation (World Tax Organization or WOTA for lack of a better name), already foreshadowed by Vito Tanzi a few decades ago ("*Is There a Need for a World Tax Organization?*"). An organization that is neither the UN nor the OECD and that does not emerge from the ashes of a world war, but rather from a shared and participatory path. A new international organization, with rules that enable it to operate quickly and effectively, in order to build a new global tax infrastructure to guide economic, social and technological progress in the coming decades.

To make sure you do not miss out on regular updates from the Kluwer International Tax Blog, please subscribe here.

This entry was posted on Thursday, December 21st, 2023 at 11:00 am and is filed under OECD, Tax governance, United Nations
You can follow any responses to this entry through the Comments (RSS) feed. You can leave a response, or trackback from your own site.